

**The Honorable Bill Pascrell, Jr.**  
**Testimony Before the**  
**House Committee on Ways and Means**  
**June 4, 2019**

Chairman Neal and Ranking Member Brady, I appreciate the opportunity to speak before the committee on an issue of the utmost importance to my constituents, the State and Local Tax deduction, and my legislation to remove the caps imposed on it by the ill-advised tax law passed by Congress at the end of 2017.

The law's proponents repeatedly extolled its benefits, arguing that it would stimulate growth, raise wages, and create jobs. But study after study has shown that its fruits – nearly all \$2.5 trillion of them – have padded the pockets of the top One Percent. Its positive impact on the rest of the country has been about as big as the ripple a minnow makes in a pond.

The negative impacts are much more considerable, and they landed squarely on the shoulders of people like my constituents. This was done in several ways, but perhaps most egregiously by capping the State and Local Tax, or SALT, that tax break at just \$10,000.

Americans' ability to deduct their property taxes from federal income taxes dates back to the Founding. President Lincoln affirmed this principle when he allowed payers of the newly-created federal income tax to deduct their property taxes. Lincoln's act of tax fairness would eventually become the State and Local Tax deduction when the federal income tax was constitutionally enshrined in 1913.

This commonsense write-off recognizes that America is one nation, and investments in one state benefit the whole. The SALT deduction is a bedrock of federalism that represents a tacit agreement that the federal government should encourage state self-sufficiency. It endured successfully for well over a century.

The \$10,000 cap the tax law imposed on Americans' ability to write-off their local property and state income taxes has had a profound impact on my state, where property taxes are already too high. With average property taxes alone exceeding \$10,000 in 20 of 21 Garden State counties, my state got hammered by the 2017 law. There is no other way to put it: because of the SALT cap, the IRS is literally taxing New Jerseyans on their taxes.

The proof is in the pudding. Before the 2017 tax law, the average SALT deduction was \$18,000 across New Jersey. In my own district, county averages went up to \$24,000. But some other New Jersey districts were even higher, with averages in the \$30,000 range. You can do the math.

Critics like to throw out the chestnut that SALT is only for the well-off. That's total baloney. In 2016, 40 percent of New Jersey taxpayers claimed the SALT deduction on their returns. Of that number, 80 percent of them had household income below \$200,000. In a high-cost state like ours, that's the middle class we're talking about.

And SALT is not just about homeowners. The State and Local Tax Deduction enables states to make critical investments in a host of areas including public education, infrastructure, public safety and economic opportunity that we all rely on. So it's not a stretch that SALT is a big part of why New Jersey's public education system and other services consistently rank near tops in the nation.

SALT is a critical element in the day-to-day services our communities rely on. Without it, towns are already facing pressure to cut taxes or services. That especially hurts low-income families and people of color. This is why the SALT cap must be removed.

As you know, this wasn't an easy tax season. Tax refunds were down for too many in the middle class. As the economic equality gap continues to widen more than the Grand Canyon, Americans rightly cry out for a fair tax system. This committee has a responsibility to provide that fairness.

My bipartisan legislation, H.R. 1142, fully reinstates the ability of our constituents in New Jersey and across America to deduct property and state income taxes on their federal returns. It's simple, direct relief that will benefit an already-squeezed middle class.

Because my state's taxpayers already pay their fair share. All they ask for is a tax system that is fair and equitable. I think that's a reasonable request. My legislation would restore a shred of fairness in our tax system. This committee should pass it at its first opportunity. Thank you.